

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

NOTICE OF MARKET-DOMINANT
PRICE ADJUSTMENT

Docket No. R2017-1

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO QUESTIONS 2-8 OF CHAIRMAN'S INFORMATION REQUEST NO. 4**
(October 26, 2016)

The Postal Service hereby files its responses to the above-captioned questions of Chairman's Information Request No. 4, issued on October 21, 2016. Each question is stated verbatim and is followed by the Postal Service's response. The response to Question 1 is still being prepared.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing & Product Support

John F. Rosato
David H. Rubin
Ashley S. Silberhorn

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1135
(202) 268-2990, FAX: -6187
John.F.Rosato@usps.gov
October 26, 2016

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 2-8 OF CHAIRMAN'S INFORMATION REQUEST NO. 4

2. Please refer to Library Reference USPS-LR-R2017-1/2, Excel file "CAPCALC-STD-R2017-1.xlsx," tab "L-F-P Com. Cap Weights."
- a. Cell D68 shows a volume of 498,378 for Move Update Pieces. Please provide the source for that volume figure using the FY 2015 Quarter 4 and FY 2016 Quarters 1-3 Standard Mail Billing Determinants.
 - b. Cell D69 shows a volume of 369,678 for Picture Permit Imprints. Please provide the source for that volume figure using the FY 2015 Quarter 4 and FY 2016 Quarters 1-3 Standard Mail Billing Determinants.
 - c. Cell D48 shows a volume of 84,125 for the Nonbarcoded Surcharge. Please provide the source for that volume figure using the FY 2015 Quarter 4 and FY 2016 Quarters 1-3 Standard Mail Billing Determinants.

RESPONSE:

- a. The total Move Update volumes come from the quarterly Billing Determinants for FY 2015 Quarter 4 and FY2016 Quarters 1-3. They appear on the summary tabs of these Billing Determinants files. Q4 2015 was revised in ACR 2015 on March 25, 2016. The total number of pieces for each of these four quarters was 284,928, 363,776, 217,746 and 165,745, totaling to 1,032,195 pieces for the hybrid year used in this docket.

The Excel file "CAPCALC-STD-R2017-1.xlsx" shows Move Update volumes on four tabs, broken down by product type. "L-F-P Com. Cap Weights" shows 498,378 Move Update pieces in cell D68, as noted in the question. "L-F-P NP Cap Weights" shows 135,379 Move Update pieces in cell D69, as noted in question 3a below. "HD-Sat-CR Com. Cap Wts." shows 304,797 Move Update pieces in cell D38. "HD-Sat-CR NP Cap Wts." shows 93,631 Move Update pieces in cell D38. Collectively, these four tabs show 1,032,195 Move Update pieces – the same number of pieces that appear in the hybrid year Billing Determinants.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 2-8 OF CHAIRMAN'S INFORMATION REQUEST NO. 4

- b. The source for these volumes is the Billing Determinants files referred to in the response to part (a). The volumes appear on the tab "Reg Auto Letters P. C1-1" in cell H60. Investigating this question revealed an error in the total number of Picture Permit Imprints reported – there should have been 331,062 Picture Permit Imprint pieces reported in cell D69. The corrected CapCalc file will be provided soon.
- c. The 84,125 figure reported for the Nonbarcoded Surcharge piece count actually was the revenue for the hybrid year Billing Determinants. These revenues should have been divided by the appropriate price (\$0.064 before April 10 and \$0.061 after April 10) to derive the piece counts. The piece count for Nonbarcoded Surcharge therefore should have been 1,335,620. The same error was made for Nonprofit Nonbarcoded Surcharges as well. The corrected CapCalc file will be provided soon.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 2-8 OF CHAIRMAN'S INFORMATION REQUEST NO. 4

3. Please refer to Library Reference USPS-LR-R2017-1/2, Excel file "CAPCALC-STD-R2017-1.xlsx," tab "L-F-P NP Cap Weights."
 - a. Cell D69 shows a volume of 135,379 for Move Update Assessed Pieces. Please provide the source for that volume figure using the FY 2015 Quarter 4 and FY 2016 Quarters 1-3 Standard Mail Billing Determinants.
 - b. Cell D70 shows a volume of 254,999 for Picture Permit Imprints. Please provide the source for that volume figure using the FY 2015 Quarter 4 and FY 2016 Quarters 1-3 Standard Mail Billing Determinants.

RESPONSE:

- a. See answer to 2a above.
- b. Cell D70 shows the volume for Nonprofit Picture Permit Imprints. The source for these volumes are the same Billing Determinants used for the hybrid year for commercial Picture Permit Imprints. These volumes appear in the tabs "NP Reg Auto Letters P. C3-1" in cell H58 and add up to the same number shown above (254,999)

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 2-8 OF CHAIRMAN'S INFORMATION REQUEST NO. 4

4. As required by the Commission in the FY 2010 Annual Compliance Determination, March 29, 2011 (FY 2010 ACD), please provide an updated "schedule of future above-CPI price increases for Standard Mail Flats". See FY 2010 ACD at 107.

RESPONSE:

In the Annual Compliance Report (ACR) for FY 2012, the Postal Service presented a three-year schedule of above-CPI price increases for Standard Mail Flats.¹ In particular, the Postal Service presented a schedule of price increases equal to 1.05*CPI in 2014, 2015, and 2016.² The Commission approved that schedule of above-CPI price increases in its Annual Compliance Determination (ACD) Report for FY2012.³ Since the Commission approved that schedule of price increases, the Postal Service has increased Standard Mail Flats prices by 1.067*CPI in Docket No. R2013-10,⁴ and by 1.296*CPI in Docket No. R2015-4.⁵ In the present Docket, the Postal Service is proposing to increase Standard Mail Flats prices by 2.683*CPI.⁶

Below, the Postal Service provides a new schedule of above-CPI price increases for Standard Mail Flats. In the below schedule the Postal Service again proposes to increase Standard Mail Flats prices by 1.05*CPI in the annual market dominant rate adjustment cases filed in 2017, 2018, and 2019. While the Postal Service intends to implement the below schedule without further revision,

¹ Docket No. ACR2012, United States Postal Service FY 2012 Annual Compliance Report, at 19 (December 28, 2012).

² *Id.*

³ Docket No. ACR2012, Annual Compliance Determination Report Fiscal Year 2012 (Revised May 7, 2013), at 115-116 (May 7, 2013).

⁴ Docket No. R2013-10, PRC-LR-R2013-10/2, Tab – Detailed Price Change Summary (November 21, 2013).

⁵ Docket No. R2015-4, PRC-LR-R2015-4/9, Tab – Detailed Price Change Summary (May 7, 2015).

⁶ Docket No. R2017-1, Notice of Market Dominant Price Adjustment, at 6, 24 (October 12, 2016).

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 2-8 OF CHAIRMAN'S INFORMATION REQUEST NO. 4

changes in market conditions and other strategic concerns may require subsequent adjustments.

<u>Year</u>	<u>Planned Flats Price Increase⁷</u>
2017	CPI-U * 1.05
2018	CPI-U * 1.05
2019	CPI-U * 1.05

⁷ Should the Postal Service file a Type 1-B rate case in 2017, 2018, or 2019, the term CPI-U should be interpreted as the total price adjustment authority for the Standard Mail class. This is the approach followed in the current docket.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 2-8 OF CHAIRMAN'S INFORMATION REQUEST NO. 4

5. The Postal Service states that “[e]ffective January 22, 2017, the name of Standard Mail will change to ‘USPS Marketing Mail.’” Notice at 26.
- a. When does the Postal Service plan to require mailers of Standard Mail to complete this change to the mail piece indicia?
 - b. Will there be a transition period (during which mailers may use both the Standard Mail indicia as well as the USPS Marketing Mail indicia)? If so, approximately how long will that transition period last?

RESPONSE:

- a. The Postal Service plans to require the name change on the indicia no earlier than July, 2017.
- b. The Postal Service plans to give mailers ample notice to implement the change. The Postal Service will work with industry to provide a transition period of 12 to 18 months.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 2-8 OF CHAIRMAN'S INFORMATION REQUEST NO. 4

6. The Postal Service files quarterly Alaska Bypass Billing Determinants with the Commission. For purposes of this request, please refer to the FY 2015 Quarter 4 and FY 2016 Quarters 1-3 Alaska Bypass Billing Determinants previously filed with the Commission and Excel file "CAPCALC-PACKSERV-R2017-1.xlsx," filed October 12, 2016, in this docket.
 - a. Please confirm that the sum of the quarterly Alaska Bypass Billing Determinants for FY 2015 Quarter 4 and FY 2016 Quarters 1-3 is inconsistent with the consolidated Billing Determinants in Excel file "CAPCALC-PACKSERV-R2017-1.xlsx." If not confirmed, please explain.
 - b. Please provide a revised Library Reference USPS-LR-R2017-1/5 that contains the consolidated Billing Determinants with linked references to the FY 2015 Quarter 4 and FY 2016 Quarters 1-3 Alaska Bypass Billing Determinants.
 - c. Please explain all differences in the "Pieces" and "Pounds" columns between Excel file "CAPCALC-PACKSERV-R2017-1.xlsx" and the FY 2015 Quarter 4 and FY 2016 Quarters 1-3 Alaska Bypass Billing Determinants.

RESPONSE:

- a. Confirmed
- b. As requested, the Postal Service submitting a revised Library Reference USPS-LR-R2017-1/4. The revised Library Reference contains a consolidated Alaska Bypass billing determinants file with linked references to the FY 2015 Quarter 4 and FY 2016 Quarters 1-3 billing determinants. As discussed in more detail below, the FY 2015 Quarter 4 Alaska Bypass billing determinants have been updated from what was originally filed with the Commission on December 29, 2015.
- c. The FY 2015 Quarter 4 Alaska Bypass billing determinants, filed with the Commission on December 29, 2015, are being revised. Upon further review, the Postal Service determined that the original file used incorrect source data, including the use of FY 2015 Quarter 1 RPW data in cells G11, H11, and

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 2-8 OF CHAIRMAN'S INFORMATION REQUEST NO. 4

M11. The correct source data is used in the updated FY 2015 Quarter 4 Alaska Bypass billing determinants file, which is being submitted today as part of a revision to Library Reference USPS-LR-R2017-1/4. As a result, the differences between Excel file "CAPCALC-PACKSERV-R2017-1.xlsx" and the FY 2015 Quarter 4 and FY 2016 Quarters 1-3 Alaska Bypass billing determinants should be resolved.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 2-8 OF CHAIRMAN'S INFORMATION REQUEST NO. 4

7. Please refer to the price changes for Keys and Identification Devices in Library Reference USPS-LR-R2017-1/1.⁸ Please confirm that the Postal Service experienced no volume and revenue for Keys and Identification Devices during FY 2015 Quarter 4 and FY 2016 Quarters 1-3. If not confirmed, please explain where the volume and revenue are reported. If applicable, please file amended workpapers.

RESPONSE:

Not confirmed. The volumes for Keys and Identification Devices are included in the Retail Parcels category, located on the "Parcels" tab of the price change workpapers. However, the additional charge for Keys and Identification Devices, which is proposed to go up to 83 cents from the Docket No. R2015-4 price of 82 cents, was missing from the originally filed workpapers. The amended workpapers filed concurrently with this response include the volume for Keys and Identification Devices and show the revenue change due to the change in the additional charge from 82 cents to 83 cents (see revised "Quarterly BDs," "Single-Piece," and "Parcels" tabs).

⁸ Library Reference USPS-LR-R2017-1/1, First-Class Mail Workpapers, October 12, 2016, Excel file "CAPCALC-FCM-R2017-1.xlsx," tab "FCM SP Price Comparison," cells N4:Q17.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 2-8 OF CHAIRMAN'S INFORMATION REQUEST NO. 4

8. Please refer to the volume reported for Move Update Adjustment in FY 2015 Quarter 4 in Library Reference USPS-LR-R2017-1/1.⁹ Please reconcile this volume with the revised billing determinants filed in the FY 2015 Annual Compliance Report.¹⁰ If applicable, please file amended workpapers.

RESPONSE:

The Move Update volume for Quarter 4, FY 2015 was inadvertently reported incorrectly. This oversight is corrected in the amended workpapers, filed concurrently with this response (see revised "Quarterly BDs," "Presort," and "Presort Ltrs & Crds" tabs).

⁹ Library Reference USPS-LR-R2017-1/1, First-Class Mail Workpapers, October 12, 2016, Excel file "CAPCALC-FCM-R2017-1.xlsx," tab "Quarterly BDs," cell K34.

¹⁰ Docket No. ACR2015, Library Reference USPS-FY15-4 Errata, Excel file "FY15 FCM BDs_Rev_3-25-16.xlsx," tab "A-11 Move Update Adjustment," cell I9.